

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-07 NSC-05
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E.O. 11652: N/A
TAGS: EFIN, EALR, LE
SUBJECT: LEBANESE CENTRAL BANK RESERVES

1. SUMMARY. DESPITE THE WAR, LEBANON'S CENTRAL BANK RESERVE SITUATION REMAINS SOLID. END SUMMARY.
2. CENTRAL BANK SOURCES TELL US THAT RECENT STATISTICS ON LEBANON'S GOLD AND FOREIGN RESERVE STATUS ARE NOT AVAILABLE, BUT THAT SITUATION IS STILL ABOUT AS IT WAS IN AUGUST 1975.
3. AUGUST 1975 STATISTICS AS FOLLOWS (ALL FIGURES IN MILLIONS):

GOLD (AT OFFICIAL US\$42 PRICE) - US\$ 383
FOREIGN EXCHANGE - US\$ 1,208
IMF RESERVE POSITION - US\$ 2.7
4. BANK AUTHORITIES BELIEVE THAT ABOVE GOLD FIGURE SITLL PROVIDES ABOUT 80 PERCENT COVERAGE OF CURRENCY.
5. FOR PURPOSE OF COMPARISON IN TIME, FOLLOWING ARE LIMITED OFFICIAL USE

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FIGURES IN RECENT YEARS: END OF 1973: GOLD-US\$ 862;
FOREIGN EXCHANGE-US\$ 470. END OF 1974: GOLD-US\$ 395;
FOREIGN EXCHANGE-US\$ 1,276. FEBRUARY 1975: GOLD-US\$ 406;
FOREIGN EXCHANGE-US\$ 1,284.

6. COMMENT: WE HAVE NO REASON TO QUESTION CENTRAL

BANK'S ESTIMATE THAT 80 PERCENT GOLD COVERAGE STILL HOLDS:
GOL ITSELF WAS NOT A PARTY TO THE WAR. MANY, BUT NOT
ALL, OF ITS ON-GOING EXPENDITURES WERE CONTINUED DURING
THE WAR, AND REVENUES DROPPED SHARPLY, BUT THE OPEN
MARKET EXCHANGE RATE FOR LEBANESE POUNDS IS NOT THAT
MUCH LESS NOW (ABOUT US\$1 EQUALS LL 280) THAN IT WAS
TWO YEARS AGO (ABOUT US\$1 EQUALS LL 225). THE WAR
AND THE ECONOMIC DISLOCATION IT CAUSED HAVE BEEN PAID FOR
LARGELY FROM ABROAD, BY DRAWING DOWN PRIVATE
SAVINGS AND BY THEFT OF GOODS--NONE OF WHICH DIRECTLY
WEAKEN THE MONETARY SYSTEM ITSELF.
MOLINEAUX

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